

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1379 S HB	<b>Title:</b> Liquor retail business plan
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## Estimated Cash Receipts

Agency Name	2005-07		2007-09		2009-11	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	4,953,000	5,826,000	6,601,000	7,720,000	7,015,000	8,198,000
Liquor Control Board	42,635	1,482,692	56,177	1,402,233	59,389	1,405,790
<b>Total \$</b>	<b>4,995,635</b>	<b>7,308,692</b>	<b>6,657,177</b>	<b>9,122,233</b>	<b>7,074,389</b>	<b>9,603,790</b>

Local Gov. Courts *						
Local Gov. Other **		2,177,000		3,043,000		3,255,000
Local Gov. Total		2,177,000		3,043,000		3,255,000

## Estimated Expenditures

Agency Name	2005-07			2007-09			2009-11		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Liquor Control Board	15.5	0	1,435,479	16.9	0	1,340,022	16.9	0	1,340,022
<b>Total</b>	<b>15.5</b>	<b>\$0</b>	<b>\$1,435,479</b>	<b>16.9</b>	<b>\$0</b>	<b>\$1,340,022</b>	<b>16.9</b>	<b>\$0</b>	<b>\$1,340,022</b>

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

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<b>Prepared by:</b> Tristan Wise, OFM	<b>Phone:</b> 360-902-0546	<b>Date Published:</b> Final 4/13/2005
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID: 12050

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1379 S HB	<b>Title:</b> Liquor retail business plan	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

FUND	FY 2006	FY 2007	2005-07	2007-09	2009-11
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	55,000	94,000	149,000	196,000	207,000
GF-STATE-State 01 - Taxes 18 - Liter Tax-Liquor	755,000	1,199,000	1,954,000	2,501,000	2,643,000
GF-STATE-State 01 - Taxes 20 - Liquor Sales Tax	1,017,000	1,833,000	2,850,000	3,904,000	4,165,000
VioRed and DrugEnf-State 01 - Taxes 18 - Liter Tax-Liquor	27,000	43,000	70,000	89,000	95,000
Health Services-State 01 - Taxes 18 - Liter Tax-Liquor	158,000	251,000	409,000	523,000	553,000
Health Services-State 01 - Taxes 20 - Liquor Sales Tax	151,000	243,000	394,000	507,000	535,000
<b>Total \$</b>	<b>2,163,000</b>	<b>3,663,000</b>	<b>5,826,000</b>	<b>7,720,000</b>	<b>8,198,000</b>

### Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
<b>Fund</b>					
<b>Total \$</b>					

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

<b>Legislative Contact:</b>	<b>Phone:</b>	<b>Date:</b> 04/07/2005
<b>Agency Preparation:</b> Julianne Williams	<b>Phone:</b> 360-570-6070	<b>Date:</b> 04/11/2005
<b>Agency Approval:</b> Don Gutmann	<b>Phone:</b> 360-570-6073	<b>Date:</b> 04/11/2005
<b>OFM Review:</b> Tristan Wise	<b>Phone:</b> 360-902-0546	<b>Date:</b> 04/11/2005

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

**Note:** This fiscal note reflects SHB 1379.

Section 1 requires the Liquor Control Board to implement strategies to improve efficiency of retail operations and maximize revenue-generating opportunities.

- (1) Expand store hours to Sunday for Liquor Control Board state operated locations.
- (2) Implement a point-of-sale marketing plan.
- (3) Implement a plan for in-store merchandising.
- (4) Liquor not permitted to be sold before noon.

Section 2 expands Sunday operations to a least 20 state operated stores.

Section 3 allows in-store advertising.

Section 4 requires that consideration must be given to the location before opening stores on Sunday.

Section 5 states that employees are not required to work on Sunday if it would violate their religious beliefs.

Section 6 repeals RCW 66.16.080.

Section 7 states that if any section of the act is held invalid, the remainder of the act is not affected.

### II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

#### ASSUMPTIONS/DATA SOURCES

The revenue estimates assume full implementation of the proposed additions to the retail business plan by September 1, 2005, resulting in nine months of cash receipts for FY 2006.

The revenue estimates assume only 20 liquor stores will be allowed to open Sundays. If after January 31, 2007, the Legislature determines to increase or decrease the number of liquor stores allowed to open on Sunday, the projected revenues may increase or decrease.

These estimates assume none of the contract liquor stores will decide to open Sundays. This assumption is based on information provided by the Liquor Control Board.

The Liquor Control Board developed Sunday sales figures based on the median gross sales of the top 20 state liquor stores with the most net profits. The median gross sales for the top 20 locations equaled the gross sales of the Bellingham store, state liquor store number 130. It is assumed that the 20 stores the Liquor Control Board will allow to open on Sundays will likely have gross sales amounts close to the Bellingham gross sales figure of \$5.2 million (FY 2004). The median gross sales figure was then forecasted to FY 2011 using growth factors derived from the Liquor Control Board's November 2004 forecast. Based on data provided by the State of Pennsylvania, the Liquor Control Board estimates that each of the 20 state liquor stores will realize a 3.5 percent increase in gross sales in FY 2006 and a 5 percent increase for each year thereafter (Pennsylvania recently implemented a Sunday sales program for 10 percent of their state liquor stores). The overall increase in gross sales from Sunday sales equates to \$3.87 million in FY 2006 and \$5.68 million in FY 2007, with spirits comprising 85 percent of the increase in gross sales and wine comprising 15 percent.

To estimate increased revenues due to in-store merchandising, including point-of-sale advertising and product specific point-of-sale promotional displays and carousels, the Liquor Control Board used information provided by manufacturers who had concluded in-store merchandising would increase revenues by approximately 2-3 percent. The Liquor Control Board used a more conservative estimate of 1 percent, which equates to a \$6.5 million increase in gross sales of beer, wine, and spirits in FY 2006, with spirits comprising 93.5 percent of the sales, wine at 6.2 percent of the sales, and beer with less than 1 percent. The Liquor Control Board estimates a \$6.7 million increase in gross sales from in-store merchandising for FY 2007.

#### Overview of Impacts to Each

Fund (cash basis, \$000):	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
General Fund	\$1,827	\$3,126	\$3,250	\$3,351	\$3,454	\$3,561
Health Services Acct.	\$309	\$494	\$508	\$522	\$537	\$551
Violence Red. & Drug Enf.	\$27	\$43	\$44	\$45	\$47	\$48

#### TOTAL REVENUE IMPACT:

##### State Government (cash basis, \$000):

FY 2006 -	\$ 2,163
FY 2007 -	\$ 3,663
FY 2008 -	\$ 3,802
FY 2009 -	\$ 3,918
FY 2010 -	\$ 4,038
FY 2011 -	\$ 4,160

##### Local Government, if applicable (cash basis, \$000):

(Local impacts include revenues from liquor sales taxes, liquor profits, and the local portion of the retail sales tax.)

FY 2006 -	\$ 756
FY 2007 -	\$ 1,421
FY 2008 -	\$ 1,496
FY 2009 -	\$ 1,547
FY 2010 -	\$ 1,600
FY 2011 -	\$ 1,655

#### II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

The Department will not incur any costs with the implementation of this legislation.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY2006	FY2007	2005-07	2007-09	2009-11
FTE Staff Years					
Total \$					

### Part IV: Capital Budget Impact

NONE.

**Part V: New Rule Making Required**

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

No new rule making required.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1379 S HB	<b>Title:</b> Liquor retail business plan	<b>Agency:</b> 195-Liquor Control Board
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

FUND	FY 2006	FY 2007	2005-07	2007-09	2009-11
General Fund-State 001-1	15,696	26,939	42,635	56,177	59,389
Violence Reduction and Drug Enforcement Account-State 181-1	1,348	2,314	3,662	4,827	5,103
Liquor Revolving Account-State 501-1	715,805	720,590	1,436,395	1,341,229	1,341,298
Total \$	732,849	749,843	1,482,692	1,402,233	1,405,790

### Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	14.1	16.9	15.5	16.9	16.9
Fund					
Liquor Revolving Account-State 501-1	715,468	720,011	1,435,479	1,340,022	1,340,022
Total \$	715,468	720,011	1,435,479	1,340,022	1,340,022

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

### Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

<b>Legislative Contact:</b>	<b>Phone:</b>	<b>Date:</b> 04/07/2005
<b>Agency Preparation:</b> Angela Leach-Jayroe	<b>Phone:</b> 360-664-1690	<b>Date:</b> 04/13/2005
<b>Agency Approval:</b> Pat Kohler	<b>Phone:</b> 360-664-1703	<b>Date:</b> 04/13/2005
<b>OFM Review:</b> Tristan Wise	<b>Phone:</b> 360-902-0546	<b>Date:</b> 04/13/2005

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

**This Bill contains two independent provisions that create fiscal impact:**

**New Section 2 (1) Implements a program that would have at least twenty state-operated retail liquor stores open for business on Sunday by September 1, 2005. These sections will have both revenue and expense impacts.**

Each of the Twenty State Liquor Stores that open on Sunday will require three employees, to include one Manager and two Liquor Clerks. In accordance with their respective Collective Bargaining Agreements, employees will each receive over-time pay for the seven hours worked, five hours from noon to 5:00 pm when the store is open to the public, and one hour before and after closing. This will increase the number of FTEs expended and related payroll expenses.

Information Technology support staff is necessary on Sundays. This consists of one ITSS 2 to staff the Help Desk from 11:00am until 6 pm, and one ITSS 3 who is on-call from 11:00 am until 3:00 pm. It's anticipated that these positions would start in August 2005 to begin the initial operations. The store staff will begin by September 1, 2005.

An independent Consultant would be hired to evaluate the change in revenue, the cause for any revenue change, and to prepare a report for the Legislature. It's anticipated that this position would start in August 2005 to begin the initial operations. The store staff will begin by September 1, 2005

**New Section 1 (2). Implement a plan for in-store liquor merchandising of brands. This will include hiring a Merchandising Program Manager and incurring one-time expenses for equipment and software that's currently reflected in the Retail Services Business Plan. It's anticipated that increased revenues from increased sales will occur along with increased expenses.**

**Note: The following sections are assumed to have minimal or indeterminate fiscal impact:**

**New Section 1(1). Sunday sales are optional for Contract Liquor Stores.**

The revenue and expense impact of this provision is indeterminate. A representative of our Contract Liquor Stores stated that they prefer not to open on Sundays. Most are "Mom and Pop" operations that do not want to work on Sunday.

**New Section 1 (2). Implement a plan of in-store merchandising, including point-of-sale advertising, and product specific point-of-sale promotional displays, including displays designed and provided by vendors. The department assumes that the intent of this section is to provide vendors a legal means whereby they can supply any necessary displays. In the future, if WSLCB can justify a revenue increase by investing in these items, WSLCB will add this to our Retail Business Plan and submit a corresponding Budget Request.**

**Understanding the Liquor Control Board's Cash Receipts and Expenses:**

Before listing the Cash Receipts and Expenditure assumptions, it may be helpful to briefly explain how the Liquor Control Board reports-or doesn't report these cash receipts and expenses. First, there is the total cash we collect from our liquor sales-which is never reported in its entirety on the Fiscal Note form. For every dollar of sales, approximately \$0.26 of cash receipts are in the form of liquor taxes (this is reported on the Department of Revenue's Fiscal Note); \$0.50 of the cash receipts is used to pay for the liquor (this is a non-appropriated/non-budgeted expense so neither the cash receipt nor the expense is reported on any agency's Fiscal Note). The remainder of the dollar is first used to pay for the Liquor Control Board's appropriated expenses (and this is reported on the Liquor Board's Fiscal Note), with the balance of profits/(loss) distributed to the General fund and Local governments. RCW 66.08.190 requires the profits (Excess Funds) be distributed 49.70% to the general fund and 50.30% to local governments. The Liquor Board reports on their Fiscal Note the increase/(decrease) to the General Fund; The Department of Community Development-Local reports the

increase/(decrease) on their Fiscal Note.

In order to simplify this, and present the most important financial impact in one location (that being, after expenses, what revenue is generated for State and Local Government), please refer to Attachment #2 "Summary of Distributed Revenue."

## **II. B - Cash receipts Impact**

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

The revenue estimates assume full implementation of the proposed additions to the retail business plan by September 1, 2005. Resulting in 9 months of cash receipts for FY 2006.

The revenue estimates assume only 20 liquor stores will be allowed to open on Sundays. If after January 31, 2007, the legislature determines to increase or decrease the number of liquor stores allowed to open on Sunday, the projected revenues may increase or decrease.

These estimates assume none of the contract liquor stores will decide to open Sundays. A representative of the contract liquor stores stated that the contract liquor stores prefer not to open on Sundays. Many claimed they were 'mom and pop' operations that did not want to work on Sundays.

The department developed Sunday sales figures based on the median gross sales of the top 20 state liquor stores with the most net profits. The median gross sales for the top 20 locations equaled the gross sales of the Bellingham store, state liquor store number 130. It is assumed that the 20 stores the Liquor Control Board will allow to open on Sundays will likely have gross sales amounts close to the Bellingham gross sales figure of \$5.2 million (FY 2004). The median gross sales figure was then forecasted to FY 2011 using growth factors derived from the department's Liquor Control Board's November 2004 Forecast. Based on data provided by the State of Pennsylvania, the Liquor Control Board estimates that each of the 20 state liquor stores will realize a 3.5 percent increase in gross sales in FY 2006 and a 5 percent increase for each year thereafter (Pennsylvania recently implemented a Sunday sales program for 10 percent of their state liquor stores.) The overall increase in gross sales from Sunday sales equates to \$3.87 million in FY 2006 and \$5.68 million in FY 2007.

To estimate increased revenues due to in-store merchandising, including point-of-sale advertising, and product specific point-of-sale promotional displays and carousels, the Liquor Control Board used information provided by manufacturers who had concluded in-store merchandising would increase revenues by approximately 2-3 percent. The Liquor Control Board used a more conservative estimate of 1 percent, which equates to a \$6.5 million increase in gross sales of beer, wine, and spirits in FY 2006, with spirits comprising 93.5 percent of the sales, wine at 6.2 percent of the sales, and beer with less than 1 percent. The Liquor Control Board estimates a \$6.7 million increase in gross sales from in-store merchandising for FY 2007.

**State Liquor Stores Sunday Sales.** (Refer to Attachment # 2, 3 and 4).

For specific details on our revenue calculations, refer to Attachment # 3 "Sunday Sales Revenue." For details on Expense calculations refer to Attachment # 4 "Sunday Sales Budgeted Expenses."

To review the impact into future years and Biennia (as required by the Fiscal Note format), please refer to Attachment #2 "Summary of Incremental Impacts," Step 1: Sunday Sales.

**In-Store Merchandising.** (Refer to Attachment #5 "Creating a Merchandising Program")

For specific details of our calculations, refer to Attachment # 5 "Creating a Merchandising Program."

To review the impact into future years and Biennia (as required by the Fiscal Note format), please refer to Attachment #2 "Summary of Incremental Impacts," Step 2: In-Store Merchandising.



The Liquor Sales Tax and Liquor Liter Tax will be reflected on the Department of Revenue's fiscal note. The Local Government portion relating to Liquor Sales Tax and Wine Tax will be reflected on their fiscal note.

## II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

1. Operating stores on Sundays will require extra expenditures for salaries and benefits. In addition to the Liquor Store employees, the agency will need to staff the Information Technology Help Desk to answer and assist stores with Point-of-Sale problems.

Refer to Attachment #4 "Sunday Sales Budgeted Expenses."

Implementing the "In-Store Merchandising Program" will require hiring one FTE to oversee the program.

FTE: One WMS Band 1 position

- Salary: \$50,000 per year
- Benefits: Based on 25% of salaries = \$12,500 per year.
- Goods/Services:
  - o One-time costs: Store fixtures = \$105,000 = ((\$78,500 (157 stores at \$500 per store) + \$25,000 for Shelf Management Software + Personal computer at \$1,500).
  - o On-going costs: \$2,500

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	14.1	16.9	15.5	16.9	16.9
A-Salaries and Wages	469,112	561,112	1,030,224	1,122,224	1,122,224
B-Employee Benefits	63,839	76,379	140,218	152,758	152,758
C-Personal Service Contracts	50,000	50,000	100,000		
E-Goods and Services	27,517	32,520	60,037	65,040	65,040
G-Travel					
J-Capital Outlays	105,000		105,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
<b>Total:</b>	<b>\$715,468</b>	<b>\$720,011</b>	<b>\$1,435,479</b>	<b>\$1,340,022</b>	<b>\$1,340,022</b>

### III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2006	FY 2007	2005-07	2007-09	2009-11
ITSS 2 and 3	51,864	0.3	0.3	0.3	0.3	0.3
Liquor Store Managers and Clerks	31,975	13.0	15.6	14.3	15.6	15.6
WMS Band 2	50,000	0.8	1.0	0.9	1.0	1.0
<b>Total FTE's</b>		<b>14.1</b>	<b>16.9</b>	<b>15.5</b>	<b>16.9</b>	<b>16.9</b>

## Part IV: Capital Budget Impact

**Part V: New Rule Making Required**

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

## Attachment # 2 "Summary of Incremental Impacts"

Washington State Liquor Control Board

Fiscal Note for 2SHB 2131: Implementing the Liquor Control Board's Retail Business Plan

### Summary of Sunday Sales, and In-Store Merchandising

INCOME STATEMENT		2005-07 Biennium		2007-09 Biennium		2009-11 Biennium	
		*FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<b>Gross Sales</b>		\$7,767,525	\$12,353,639	\$12,701,841	\$13,059,858	\$13,427,966	\$13,806,449
Less: Taxes and Discounts		\$2,291,518	\$3,595,463	\$3,696,802	\$3,800,997	\$3,908,129	\$4,018,280
Less: Cost of Goods Sold (non-budgeted)		\$3,779,376	\$6,056,930	\$6,227,655	\$6,403,193	\$6,583,678	\$6,769,251
Net Sales		1,696,630	2,701,246	2,777,384	2,855,668	2,936,159	3,018,918
Budgeted expenses		\$715,467	\$720,011	\$670,011	\$670,011	\$670,011	\$670,011
Net Profit (Loss)		\$981,163	\$1,981,235	\$2,107,373	\$2,185,658	\$2,266,148	\$2,348,908
<b>Distribution of Profit/(Loss)</b>							
Local Government @		\$492,053	\$993,589	\$1,056,848	\$1,096,107	\$1,136,473	\$1,177,977
General Fund @		\$489,110	\$987,646	\$1,050,526	\$1,089,550	\$1,129,675	\$1,170,930
		\$981,163	\$1,981,235	\$2,107,373	\$2,185,658	\$2,266,148	\$2,348,908

\*FY 2006 assumes a September 1, 2005 effective date for the implementation of the retail business plan. This means some of the expenses incurred will only have 10 months of impact, and all of the revenues will only have 9 months of cash receipts.

### INCOME STATEMENT TRANSLATED INTO OFM FISCAL NOTE FORMAT

Cash Receipts (1)	Rev	2005-07 Biennium		2007-09 Biennium		2009-11 Biennium	
		*FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<b>Fund</b>	<b>Source</b>						
**General Fund	Liquor Sales Tax	1,016,808	1,833,462	1,920,183	1,983,720	2,049,049	2,116,219
General Fund	Liquor Liter Tax	754,723	1,199,188	1,232,988	1,267,742	1,303,474	1,340,214
General Fund	Wine Tax	15,696	26,939	27,698	28,479	29,282	30,107
General Fund	Retail Sales Tax	54,911	94,038	96,689	99,415	102,217	105,099
Violence Red. & Drug Enf.	Liquor Liter Tax	26,943	42,811	44,017	45,258	46,534	47,845
Violence Red. & Drug Enf.	Wine Tax	1,348	2,314	2,380	2,447	2,516	2,587
Health Services Account	Liquor Sales Tax	151,407	242,682	249,522	256,555	263,787	271,222
Health Services Account	Liquor Liter Tax	157,811	250,748	257,816	265,083	272,554	280,237
Washington Wine Comm	Wine Tax	337	579	595	612	629	647
**Local Government	Liquor Sales Tax	725,844	1,368,318	1,442,139	1,492,259	1,543,791	1,596,776
Local Government	Wine Tax	13,525	23,213	23,867	24,540	25,232	25,943
<b>Overall Net Impact</b>		<b>2,919,353</b>	<b>5,084,291</b>	<b>5,297,894</b>	<b>5,466,108</b>	<b>5,639,064</b>	<b>5,816,895</b>
<b>Net Impact to the State</b>		2,179,648	3,692,181	3,831,293	3,948,698	4,069,413	4,193,529
<b>Net Impact to Local Governments</b>		739,368	1,391,531	1,466,006	1,516,799	1,569,023	1,622,719
<b>Net Impact - Other</b>		337	579	595	612	629	647

\*FY 2006 assumes a September 1, 2005 effective date for the implementation of the retail business plan. This means some of the expenses incurred will only have 10 months of impact, and all of the revenues will only have 9 months of cash receipts.

\*\*The Local Government impacts and the General Fund impacts realized by the liquor sales tax, include both the impacts incurred specifically by the liquor sales tax and all of the impacts from the wine, beer, and liquor profits.

Estimated Budgeted Expenditures		2005-07 Biennium		2007-09 Biennium		2009-11 Biennium	
		*FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<b>Fund</b>							
FTEs		14.11	16.87	16.87	16.87	16.87	
<b>Liquor Revolving Account</b>	501-1	715,467	720,011	670,011	670,011	670,011	
<b>Total</b>		<b>\$715,467</b>	<b>\$720,011</b>	<b>\$670,011</b>	<b>\$670,011</b>	<b>\$670,011</b>	

\*FY 2006 assumes a September 1, 2005 effective date for the implementation of the retail business plan. This means some of the expenses incurred will only have 10 months of impact, and all of the revenues will only have 9 months of cash receipts.

Estimated Budgeted Expenditures by Object		2005-07 Biennium		2007-09 Biennium		2009-11 Biennium	
		*FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<b>Fund</b>							
FTEs		14.11	16.87	16.87	16.87	16.87	
Salaries and Wages		469,112	561,112	561,112	561,112	561,112	
Employee Benefits		63,839	76,379	76,379	76,379	76,379	
Personal Service Contracts		50,000	50,000	0	0	0	
Goods and Services		27,517	32,520	32,520	32,520	32,520	
Equipment		105,000	0	0	0	0	
<b>Total</b>		<b>\$715,467</b>	<b>\$720,011</b>	<b>\$670,011</b>	<b>\$670,011</b>	<b>\$670,011</b>	

\*FY 2006 assumes a September 1, 2005 effective date for the implementation of the retail business plan. This means some of the expenses incurred will only have 10 months of impact, and all of the revenues will only have 9 months of cash receipts.

**BUILDING BLOCKS OF ANALYSIS****Step 1: Sunday Sales, New Section 2 (1) and New Section 3.**

Refer to Attachment # 3 "Sunday Sales Revenue" for calculation of Sales, and Attachment #4 "Sunday Sales Budgeted xpenses" for calculation of Budgeted Expenses.

INCOME STATEMENT	Rev	2005-07 Biennium		2007-09 Biennium		2009-11 Biennium	
	Source	*FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<b>Gross Sales</b>		\$2,901,994	\$5,683,486	\$5,843,761	\$6,008,555	\$6,177,996	\$6,352,215
Less:Taxes and Discounts		772,703	1,513,321	1,555,996	1,599,875	1,644,992	1,691,381
Less: Cost of Goods sold (non-budgeted)		1,490,504	2,919,116	3,001,435	3,086,075	3,173,103	3,262,584
Net Sales		638,787	1,251,050	1,286,329	1,322,604	1,359,901	1,398,250
Budgeted expenses		555,884	655,011	605,011	605,011	605,011	605,011
Net Profit (Loss)		\$82,903	\$596,039	\$681,319	\$717,593	\$754,890	\$793,240
<b>Distribution of Profit/(Loss)</b>							
Local Government @		41,576	298,914	341,681	359,873	378,578	397,810
General Fund @		41,327	297,125	339,637	357,720	376,313	395,430
		\$82,903	\$596,039	\$681,319	\$717,593	\$754,890	\$793,240

\*FY 2006 assumes a September 1, 2005 effective date for the implementation of the retail business plan. This means some of the expenses incurred will only have 10 months of impact, and all of the revenues will only have 9 months of cash receipts.

**INCOME STATEMENT TRANSLATED INTO OFM FISCAL NOTE FORMAT**

Cash Receipts (1)	Rev	2005-07 Biennium		2007-09 Biennium		2009-11 Biennium	
	Source	*FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
**General Fund	Liquor Sales Tax	249,633	705,086	759,103	789,014	819,770	851,392
General Fund	Liquor Liter Tax	280,030	548,432	563,897	579,799	596,150	612,961
General Fund	Wine Tax	9,227	18,071	18,580	19,104	19,643	20,197
General Fund	Retail Sales Tax	31,927	62,529	64,292	66,105	67,969	69,886
Violence Red. & Drug Enf.	Liquor Liter Tax	9,997	19,579	20,131	20,699	21,282	21,883
Violence Red. & Drug Enf.	Wine Tax	793	1,552	1,596	1,641	1,688	1,735
Health Services Account	Liquor Sales Tax	59,767	117,052	120,353	123,747	127,237	130,825
Health Services Account	Liquor Liter Tax	58,554	114,676	117,910	121,235	124,654	128,169
Washington Wine Comm	Wine Tax	198	388	399	410	422	434
**Local Government	Liquor Sales Tax	133,863	479,656	527,520	550,953	575,046	599,818
Local Government	Wine Tax	7,951	15,571	16,010	16,462	16,926	17,403
<b>Overall Net Impact</b>		<b>841,939</b>	<b>2,082,592</b>	<b>2,209,793</b>	<b>2,289,170</b>	<b>2,370,786</b>	<b>2,454,703</b>
<b>Net Impact to the State</b>		699,927	1,586,977	1,665,863	1,721,345	1,778,392	1,837,048
<b>Net Impact to Local Governments</b>		141,814	495,227	543,531	567,415	591,972	617,222
<b>Net Impact - Other</b>		198	388	399	410	422	434

\*FY 2006 assumes a September 1, 2005 effective date for the implementation of the retail business plan. This means some of the expenses incurred will only have 10 months of impact, and all of the revenues will only have 9 months of cash receipts.

\*\*The Local Government impacts and the General Fund impacts realized by the liquor sales tax, include both the impacts incurred specifically by the liquor sales tax and all of the impacts from the wine, beer, and liquor profits.

Estimated Budgeted Expenditures		2005-07 Biennium		2007-09 Biennium		2009-11 Biennium	
		*FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
FTEs		13.27	15.87	15.87	15.87	15.87	15.87
<b>Liquor Revolving Account</b>	501-1	555,884	655,011	605,011	605,011	605,011	605,011
<b>Total</b>		<b>\$555,884</b>	<b>\$655,011</b>	<b>\$605,011</b>	<b>\$605,011</b>	<b>\$605,011</b>	<b>\$605,011</b>

\*FY 2006 assumes a September 1, 2005 effective date for the implementation of the retail business plan. This means some of the expenses incurred will only have 10 months of impact, and all of the revenues will only have 9 months of cash receipts.

Estimated Budgeted Expenditures by Object		2005-07 Biennium		2007-09 Biennium		2009-11 Biennium	
Fund		*FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
FTEs		13.27	15.87	15.87	15.87	15.87	15.87
Salaries and Wages		\$427,445	\$511,112	\$511,112	\$511,112	\$511,112	\$511,112
Employee Benefits		53,422	63,879	63,879	63,879	63,879	63,879
Personal Service Contracts		50,000	50,000	0	0	0	0
Goods and Services		25,017	30,020	30,020	30,020	30,020	30,020
Equipment		0	0	0	0	0	0
<b>Total</b>		<b>\$555,884</b>	<b>\$655,011</b>	<b>\$605,011</b>	<b>\$605,011</b>	<b>\$605,011</b>	<b>\$605,011</b>

\*FY 2006 assumes a September 1, 2005 effective date for the implementation of the retail business plan. This means some of the expenses incurred will only have 10 months of impact, and all of the revenues will only have 9 months of cash receipts.

**Step 2: In-Store Merchandising**

Refer to Attachment # 5 for Calculations.

INCOME STATEMENT	Rev	2005-07 Biennium		2007-09 Biennium		2009-11 Biennium	
	Source	*FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<b>Gross Sales</b>		\$4,865,530	\$6,670,152	\$6,858,080	\$7,051,303	\$7,249,970	\$7,454,234
Less: Taxes and Discounts		1,518,815	2,082,142	2,140,805	2,201,121	2,263,137	2,326,899
Less: Cost of Goods sold (non-budgeted)		2,288,873	3,137,814	3,226,220	3,317,117	3,410,575	3,506,667
Net Sales		1,057,843	1,450,196	1,491,055	1,533,064	1,576,258	1,620,668
Budgeted expenses		159,583	65,000	65,000	65,000	65,000	65,000
Net Profit (Loss)		898,260	1,385,196	1,426,055	1,468,064	1,511,258	1,555,668
<b>Distribution of Profit/(Loss)</b>							
Local Government @		450,477	694,676	715,166	736,234	757,896	780,167
General Fund @		447,782	690,520	710,888	731,830	753,362	775,500
		\$898,260	\$1,385,196	\$1,426,055	\$1,468,064	\$1,511,258	\$1,555,668

\*FY 2006 assumes a September 1, 2005 effective date for the implementation of the retail business plan. This means some of the expenses incurred will only have 10 months of impact, and all of the revenues will only have 9 months of cash receipts.

**INCOME STATEMENT TRANSLATED INTO OFM FISCAL NOTE FORMAT**

Cash Receipts (1)	Rev	2005-07 Biennium		2007-09 Biennium		2009-11 Biennium	
	Source	*FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<b>Fund</b>							
**General Fund	Liquor Sales Tax	767,175	1,128,376	1,161,080	1,194,706	1,229,279	1,264,826
General Fund	Liquor Liter Tax	474,693	650,756	669,091	687,942	707,325	727,253
General Fund	Wine Tax	6,469	8,868	9,118	9,375	9,639	9,910
General Fund	Retail Sales Tax	22,984	31,509	32,397	33,309	34,248	35,213
Violence Red. & Drug Enf.	Liquor Liter Tax	16,946	23,232	23,886	24,559	25,251	25,963
Violence Red. & Drug Enf.	Wine Tax	556	762	783	805	828	851
Health Services Account	Liquor Sales Tax	91,640	125,629	129,169	132,808	136,550	140,397
Health Services Account	Liquor Liter Tax	99,258	136,072	139,906	143,848	147,900	152,067
Washington Wine Comm	Wine Tax	139	190	196	201	207	213
**Local Government	Liquor Sales Tax	591,980	888,663	914,619	941,306	968,745	996,957
Local Government	Wine Tax	5,574	7,641	7,857	8,078	8,306	8,540
	<b>Net impact</b>	<b>2,077,414</b>	<b>3,001,699</b>	<b>3,088,101</b>	<b>3,176,938</b>	<b>3,268,278</b>	<b>3,362,191</b>
	<b>Net Impact to the State</b>	1,479,721	2,105,204	2,165,430	2,227,353	2,291,020	2,356,482
	<b>Net Impact to Local Governments</b>	597,554	896,304	922,475	949,384	977,051	1,005,497
	<b>Net Impact - Other</b>	139	190	196	201	207	213

\*FY 2006 assumes a September 1, 2005 effective date for the implementation of the retail business plan. This means some of the expenses incurred will only have 10 months of impact, and all of the revenues will only have 9 months of cash receipts.

\*\*The Local Government impacts and the General Fund impacts realized by the liquor sales tax, include both the impacts incurred specifically by the liquor sales tax and all of the impacts from the wine, beer, and liquor profits.

Estimated Budgeted Expenditures		2005-07 Biennium		2007-09 Biennium		2009-11 Biennium	
		*FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<b>Fund</b>							
FTEs		0.83	1.00	1.00	1.00	1.00	1.00
<b>Liquor Revolving Account</b>	501-1	159,583	65,000	65,000	65,000	65,000	65,000
<b>Total</b>		<b>\$159,583</b>	<b>\$65,000</b>	<b>\$65,000</b>	<b>\$65,000</b>	<b>\$65,000</b>	<b>\$65,000</b>

\*FY 2006 assumes a September 1, 2005 effective date for the implementation of the retail business plan. This means some of the expenses incurred will only have 10 months of impact, and all of the revenues will only have 9 months of cash receipts.

Estimated Budgeted Expenditures by Object		2005-07 Biennium		2007-09 Biennium		2009-11 Biennium	
Fund		*FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
FTEs		0.83	1.00	1.00	1.00	1.00	1.00
Salaries and Wages		\$41,667	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Employee Benefits		10,417	12,500	12,500	12,500	12,500	12,500
Personal Service Contracts		0	0	0	0	0	0
Goods and Services		2,500	2,500	2,500	2,500	2,500	2,500
Equipment		105,000	0	0	0	0	0
<b>Total</b>		<b>\$159,583</b>	<b>\$65,000</b>	<b>\$65,000</b>	<b>\$65,000</b>	<b>\$65,000</b>	<b>\$65,000</b>

\*FY 2006 assumes a September 1, 2005 effective date for the implementation of the retail business plan. This means some of the expenses incurred will only have 10 months of impact, and all of the revenues will only have 9 months of cash receipts.

# Attachment # 3 "Sunday Sales Revenue"

ESSB 5982  
Sunday Sales  
Summary of Distributed Revenues

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Total Increase	3,869,325	5,683,486	5,843,761	6,008,555	6,177,996	6,352,215
Spirit Sales	3,288,927	4,830,963	4,967,197	5,107,271	5,251,297	5,399,383
Wine Sales	580,399	852,523	876,564	901,283	926,699	952,832
(check)	3,869,325	5,683,486	5,843,761	6,008,555	6,177,996	6,352,215

			DISTRIBUTIONS TO STATE FUNDS						
			GENERAL FUND 001	Local Gov't via the Liquor Excise Tax Acct.	VRDE ACCOUNT: 181	CONST. & MAINT. 335	Local Gov't via LIQUOR REVOLVING FUND: 501	HEALTH SERVICES ACCOUNT: 760	Washington Wine Commission
SALE OF LIQUOR: 04-55									
FY2004 Actuals									
GROSS SALES (arithmetic Mean)									
Spirit Sales	382,373,769		5,399,383						
Wine Sales	38,076,434		952,832						
Malt Beverage Sales	921,137		0						
Alcohol Sales	372,705		0						
	421,744,045		6,352,215						
DISCOUNTS									
Spirit Sales at:	287	0.00%	4						
Wine Sales at:	1,195,358	3.14%	29,913						
	1,195,645		29,917						
TAXES									
13.7% Sales taxes			0	\$0	\$0			\$0	-
20.5% Sales Taxes	55,860,964	0.146089948	788,796	455,962	202,009			130,825	788,796
\$2.4408 Liter Tax	54,035,066	0.141314783	763,013	612,961	21,883			128,169	763,013
*Wine Taxes on Purchases	1,589,240	0.041738152	39,769	20,197	1,735		17,403		39,769
State & Local Retail Taxes (Wine)	2,792,740	0.073345629	69,886	69,886					69,886
	114,278,010		1,661,464						
*Wine taxes were distributed according to the taxes paid on table wine.									
NET SALES (SPIRITS)			3,847,571						
NET SALES (WINE)			813,264						
COST OF GOODS SOLD (SPIRITS)			2,693,300						
(70% of net sales)									
COST OF GOODS SOLD (WINE)			569,285						
NET LCB BUDGETED REVENUES (SPIRITS)			1,154,271						
SALES TAX	50.8%		586,725						
LITER TAX	49.2%		567,547						
NET LCB BUDGETED REVENUES(WINE)			243,979						
			\$1,398,250						
			\$1,159,006	\$202,009	\$23,618	\$0	\$17,403	\$258,994	\$434
									\$1,661,464

**Expenditures Distributed by Source (for fiscal note purposes):**

	FY 2006	FY 2007	FY2008	FY2009	FY 2010	FY 2011
FTEs		13.27	15.87	15.87	15.87	15.87
<b>Spirits</b>	<b>82.6%</b>					
Sales Tax	50.8%	233,256	274,851	253,871	253,871	253,871
Liquor Tax	49.2%	225,632	265,867	245,572	245,572	245,572
<b>Wine</b>	<b>17.4%</b>	96,996	114,292	105,568	105,568	105,568
<b>Total</b>		555,884	655,011	605,011	605,011	605,011

\*FY 2006 assumes a September 1, 2005 effective date for the goods and services and all FTE costs, except for the technical staff costs and the personal service contracts. The effective date of September 1, 2005 assumes 10 months of expenses. The personal service contract and the technical staff costs are assumed to begin 90 days after the end of session. Assume full year costs for these expenses.

**Profits (Loss) after expenditures**

	*FY 2006	FY 2007	FY2008	FY2009	FY 2010	FY 2011
<b>Spirits</b>						
Sales Tax	206,787	311,873	332,854	332,854	332,854	332,854
Liquor Tax	200,028	301,679	321,974	321,974	321,974	321,974
<b>Wine</b>	85,989	129,687	138,412	138,412	138,412	138,412
<b>Total</b>	492,804	743,240	793,240	793,240	793,240	793,240

\*FY 2006 assumes an effective date of September 1, 2005 for implementation of the retail business plan. This means that for some of the LCB's expenses the LCB will only incur 10 months, and there will only be 9 months of revenue cash receipts.

**Profits (loss) Distributed**

	*FY 2006	FY 2007	FY2008	FY2009	FY 2010	FY 2011
General Fund	245,663	370,505	395,430	395,430	395,430	395,430
Local Gov't	247,141	372,735	397,810	397,810	397,810	397,810
<b>Total</b>	492,804	743,240	793,240	793,240	793,240	793,240

**ASSUMPTIONS**

The **minimum** amount of revenue (\$0) would assume customers habits are firmly established.

If sales are increased, the source is:

- 1) Impulse buying.
- 2) Provide customers an alternative to Cocktail lounges, taverns, grocery stores,
- 3) The drinking population will drink more "Build it and they will come."

**Other State Experiences:**

Pennsylvania:-

17.50% increase in Gross Sales in the first 25 weeks, for those 63 stores open on Sunday.

5.56% is the forecasted growth for the 63 Stores now open on Sunday, assuming they did not open on Sunday.

5.29% state average for first 25 weeks

Pennsylvania sales volumes are 51% wine and 49% spirits (PA has the monopoly on wine).

**Operation:**

Open to the public from Noon to 5:00 pm on Sunday (similar to Pennsylvania)

Employees are there for 7 hours, one hour before and after public hours.

Assume Contract Liquor Stores will not open.

Minimal Licensee sales on Sunday.

**Volume and Price (Maximum):**

First took the top 20 stores with the most net profits. These are likely the firms the LCB would allow to open on Sunday.  
Then took the median gross sales amount, which equaled store 130, Bellingham. To estimate FY2006 figures, the store's FY2004 figures were forecasted using the estimated growth in gross sales taken from the LCB's November 2004 forecast. The LCB then decided to increase the gross sales by 3.5% the first year (FY2006) and then 5% for each year thereafter. These percentages were estimated based on data taken from the State of Pennsylvania's experience.  
To estimate the increased gross sales for 20 firms, multiplied the increase by 20.  
Split is 85% spirits and 15% wine.

Top 20 Locations based on Net Profits		Median ----> 5,189,698 (Store 130 - Bellingham)		
Growth based on the LCB's November Forecast		Gross Sales	Increase (1 store)	Increase (20 stores)
FY05	3.60%	5,376,527	N/A	N/A
FY06	2.81%	5,527,608	193,466	3,869,325
FY07	2.82%	5,683,486	284,174	5,683,486
FY08	2.82%	5,843,761	292,188	5,843,761
FY09	2.82%	6,008,555	300,428	6,008,555
FY10	2.82%	6,177,996	308,900	6,177,996
FY11	2.82%	6,352,215	317,611	6,352,215

**Gross Revenues and Distributed Revenues:**

Distributed revenues based on historical percentages of taxes in Gross sales, plus expenses for CGS at 70% of Net Sales and Average Store expenses at 3.00

**Other Assumptions:**

Although sales may shift from private retail establishments, we have not shown the negative impact on B & O taxes or general sales taxes.  
Likewise, we have not shown the negative impact on our Licensee sales.



## EXPENSES (Annual):

Sunday Operations		
	FTEs	Dollars
Salaries	15.87	\$511,112
Benefits		63,879
Utilities		26,000
Bags		4,020
	15.87	\$605,011

For 20 State Liquor Stores		
	FTEs	Dollars
Salaries	15.60	\$502,000
Benefits		62,740
Utilities		26,000
Bags		4,020
	15.60	\$594,760

For One State Liquor Store		
	FTEs	Dollars
Salaries	0.78	\$25,100
Benefits		3,137
Utilities		1,300
Bags		201
	0.78	\$29,738

Tech. Staff		
	FTEs	Dollars
Salaries	0.27	\$9,112
Benefits		1,139
Utilities		0
Bags		0
	0.27	\$10,251

Plus Consultant Services:	FY 2006	\$50,000
	FY 2007	50,000
		<u>\$100,000</u>

### Expenditures by Fiscal Year for proposed legislation HB 1379 & SB 5487

	*FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
FTEs	13.27	15.87	15.87	15.87	15.87	15.87
Salaries	427,445	511,112	511,112	511,112	511,112	511,112
Benefits	53,422	63,879	63,879	63,879	63,879	63,879
Personal Service Contracts	50,000	50,000	-	-	-	-
Goods/Services	25,017	30,020	30,020	30,020	30,020	30,020
Equipment	-	-	-	-	-	-
Total	555,884	655,011	605,011	605,011	605,011	605,011

\*FY 2006 assumes a September 1, 2005 effective date for all FTE costs, except for the technical staff costs and the personal service contracts, and the goods/services. The personal service contract and the technical staff costs are assumed to begin 90 days after the end of session.

ASSUMPTIONS

Total of 7 hours per day. Includes 5 hours of operation, plus open one hour before and one hour after openings.

3 Employees per store. One Liquor Store Manager and two Liquor Store Clerks  
Liquor Store Manager 2. Range 43, Step K = \$18.91/hour  
Liquor Store Clerk. Range 29L, step K = \$13.53/hour

Per collective Bargaining Agreements, paid overtime at 1.5 times normal salary.

Benefits will increase by 12.5% of salaries

Utilities \$25 per store per day.

Additional bags @ \$0.03 per bag.

## CALCULATIONS:

### STATE LIQUOR STORE PERSONNEL

#### FTEs

Additional hours of Operation per Store (52 Sundays per year \* 7 hours  
364 per Sunday)

364 One Liquor Store Manager II

728 Two Liquor Store Clerks

1092 Equivalent FTE hours

1638 Required hours at overtime per store (1092 hours \* 1.5 hours at overtime pay)

0.78 Required FTEs per Store (1638/2088)

#### Salaries

\$10,325 Liquor Store Manager II (364 hours \* \$18.91/hour \* 1.5 overtime pay)

14,775 Liquor Store Clerks (728 hours \* \$13.53/hour \* 1.5 overtime pay)

\$25,100 Annual Salary Dollars for one store

#### Benefits

\$1,291 Liquor Store Manager II (\$10,325 \* 12.5%)

1,847 Liquor Store Clerk hours (\$14,775 \* 12.5%)

\$3,137 Annual increase in Benefits for one store

#### Utilities

\$1,300 Annual increase in utilities (\$25 per day per store \* 52 days)

#### Bags

\$201 Annual Increase in bags per store

#### Total Annual Expense:

\$29,738 Annual Cost per Store

## **INFORMATION TECHNOLOGY STAFF SUPPORT**

Expand Information Technology staffing to include Sunday.

One ITSS 2 (Information Technical Systems Specialist)	Staffing Helpdesk for 7 hours = from 11:00am to 6:00pm
One ITSS 3 (Information Technical Systems Specialist)	On call for 4 hours = from 11:00 am to 3:00 pm. Historically needed in field 10% of their time.

### **FTE Hours**

364	One ITSS 2 (7 hours per Sunday * 52 Sundays)
208	One ITSS 3 (4 hours per Sunday * 52 Sundays)
<u>572</u>	Equivalent FTE hours
<u>0.27</u>	Required annual FTEs to operate on Sundays (572/2088)

### **Salaries**

\$8,194	One ITSS 2	Range 50, step K	(364 hours * \$22.51/hour)
318	One ITSS 3-on-call	Range 54, step K	(208 * 90%) * \$1.70 standby pay.
	Same ITSS 3-Performing		
600	Field work	Range 54, step K	(208 * 10%) * \$24.84/hr.
<u>\$9,112</u>	<b>Annual salary expense for Information Technology Staff</b>		

### **Benefits**

<u>\$1,139</u>	<b>Annual benefit expense for Information Technology Staff</b>
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# Attachment # 5: "Creating a Merchandising Program"

2SHB 2131

WISLCB

LIQUOR SALES

CALCULATION OF REVENUES

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Total Increase	6,487,374	6,670,152	6,858,080	7,051,303	7,249,970	7,454,234

## INPUT CELL

			DISTRIBUTIONS TO STATE FUNDS								
				GENERAL FUND 001	Local Impacts via LIQUOR EXCISE TAX ACCOUNT: 107	VRDE ACCOUNT: 181	CONST. & MAINT. 335	Local Impact via LIQUOR REVOLVING FUND: 501	HEALTH SERVICES ACCOUNT: 760	Washington Wine Commission	Total Check
SALE OF LIQUOR: 04-55			FY 2004 Actuals	PERCENTAGE OF GROSS	7,454,234						
GROSS SALES											
	Spirit Sales	\$569,605,564	93.52%	\$6,971,105							
	Wine Sales	\$38,177,343	6.27%	\$467,233							
	Malt Beverage Sales	\$926,180	0.15%	\$11,335							
	Alcohol Sales	\$372,705	0.06%	\$4,561							
	1.2238%	609,081,792	100.00%	7,454,234							
DISCOUNTS											
	Spirit Sales at:	41,301,108	7.25%	\$505,462.70							
	Wine Sales at:	1,217,213	3.19%	\$14,896.83							
	Malt Beverage Sales:	1,343	0.15%	\$16.44							
	Alcohol Sales:	0	0.00%	\$0.00							
		42,519,664		\$520,375.97							
TAXES AND SURCHARGE											
	13.7% Sales taxes	13,081,595	2.30%	160,099	92,545	41,001			26,553		160,099
	20.5% Sales Taxes	56,086,557	9.85%	686,414	396,781	175,789			113,844		686,414
	\$2.4408 Liter Tax	73,970,265	12.99%	905,283	727,253		25,963		152,067		905,283
	*Wine Tax on Purchases	1,594,509	4.18%	19,514	9,910		851	8,540		213	19,514
	Wine State & Local Taxes	2,792,740	7.32%	34,179	34,179						
	Malt Beverages State & Local	71,983	7.77%	881	881						
	Alcohol State & Local	12,496	3.35%	153	153						
		147,610,145	24.23%	1,806,523							
*Wine taxes were distributed according to the taxes paid on table wine.											
NET SALES OF LIQUOR (SPIRITS)			385,166,039	4,713,846							
NET SALES OF LIQUOR (WINE)			32,572,881	398,642							
NET SALES OF LIQUOR (BEER)			1,213,063	14,846							
Total Net Sales of Liquor			418,951,983	5,127,335							
COST OF GOODS SOLD (SPIRITS)				3,223,875							
COST OF GOODS SOLD (WINE)				272,638							
COST OF GOODS SOLD (BEER)				10,153							
Total Cost of Goods Sold			286,528,000	68.4%	3,506,667						
NET LCB BUDGETED REVENUE (SPIRITS)											
	Spirit Sales Tax		48.3%	719,992							
	Spirit Liter Tax		51.7%	769,979							
NET LCB BUDGETED REVENUE (WINE)				126,004							
NET LCB BUDGETED REVENUE (BEER)				4,693							
Total net LCB budgeted Revenues			\$132,423,983	\$1,620,668							
					\$216,790	\$26,814	\$0	\$8,540	\$292,465	\$213	

## Expenditures Distributed by Source (for fiscal note purposes):

	*FY 2006	FY 2007	FY2008	FY2009	FY 2010	FY 2011
FTEs	0.83		1.00	1.00	1.00	1.00
<b>Spirits</b>	<b>91.9%</b>					
Sales Tax	48.3%	70,896	28,877	28,877	28,877	28,877
Liter Tax	51.7%	75,818	30,881	30,881	30,881	30,881
<b>Wine</b>	<b>7.8%</b>					
Beer	0.3%	462	188	188	188	188
<b>Total</b>		159,583	65,000	65,000	65,000	65,000

\*FY 2006 assumes a September 1, 2005 effective date for the goods and services and all FTE costs, except for the technical staff costs and the personal service contracts. The effective date of September 1, 2005 assumes 10 months of expenses. The personal service contract and the technical staff costs are assumed to begin 90 days after the end of session. Assume full year costs for these expenses.

Annual Cost	*FY2006	FY2007	FY2008	
FTEs	0.83		1.00	FTEs: One WMS Band 1 position
Salaries	\$41,667		\$50,000	Salaries: Based on salary paid to Wine Program Manager
Benefits	10,417		12,500	Benefits: based on 25% of salaries
Goods/Services	2,500		2,500	Goods/Services:
Equipment	105,000		0	
<b>Total</b>	<b>\$159,583</b>		<b>\$65,000</b>	

Plus:

One-Time only: Store fixtures at \$78,500 (157 stores at \$500 per store) + \$25,000 for Shelf Mgmt. Software + Personal computer at \$1,500

\*For FY 2006 some expenses assume a September 1, 2005 effective date, including all FTE costs (i.e. wages/salaries). The FY2006 costs assume that LCB will realize the full-year costs for the goods/services and the equipment.

## Profits (Loss) after expenditures

	*FY 2006	FY 2007	FY2008	FY2009	FY 2010	FY 2011
<b>Spirits</b>						
Sales Tax	469,098	691,115	691,115	691,115	691,115	691,115
Liter Tax	501,666	739,097	739,097	739,097	739,097	739,097
<b>Wine</b>	<b>82,096</b>	<b>120,951</b>	<b>120,951</b>	<b>120,951</b>	<b>120,951</b>	<b>120,951</b>
Beer	3,057	4,504	4,504	4,504	4,504	4,504
<b>Total</b>	<b>1,055,918</b>	<b>1,555,668</b>	<b>1,555,668</b>	<b>1,555,668</b>	<b>1,555,668</b>	<b>1,555,668</b>

\*FY 2006 assumes an effective date of September 1, 2005 for the continuation of the retail business plan. This means that for some of the LCB's expenses the LCB will only incur 10 months, and there will only be 9 months of revenue cash receipts.

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Profits (Loss) Distributed						
	FY 2006	FY 2007	FY2008	FY2009	FY 2010	FY 2011
General Fund	526,375	775,500	775,500	775,500	775,500	775,500
Local Gov't.	529,543	780,167	780,167	780,167	780,167	780,167
Total	1,055,918	1,555,668	1,555,668	1,555,668	1,555,668	1,555,668

TOTAL GROSS SALES	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
INCLUDING DISCOUNTS & TAXES	609,081,792	630,991,929	648,737,400	667,015,235	685,808,039	705,130,320	724,996,996	745,423,405
*Figures taken from the LCB's Nov 2004 Forecast		3.60%	2.81%	2.82%	* Forecasted based on FY 2007's growth			
1% Increase in Sales			6,487,374	6,670,152	6,858,080	7,051,303	7,249,970	7,454,234

\*Based on assumptions listed in the fiscal note for 2SHB 2131 (2004 session), the LCB estimates approximately a 1% increase in gross sales due to in-store merchandising. Information from manufacturers indicates the LCB should anticipate a 2-3% increase, however the LCB would rather error on the more conservative side.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 1379 S HB	Title: Liquor retail business plan
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## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- ☒ Cities:
- ☒ Counties:
- ☒ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

## Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☐ Legislation provides local option:
- ☐ Key variables cannot be estimated with certainty at this time:

### Estimated revenue impacts to:

Jurisdiction	FY 2006	FY 2007	2005-07	2007-09	2009-11
City	591,387	1,112,454	1,703,841	2,384,076	2,550,865
County	153,106	287,433	440,539	615,055	657,721
Special District	11,507	21,113	32,620	43,869	46,414
TOTAL \$	756,000	1,421,000	2,177,000	3,043,000	3,255,000
GRAND TOTAL \$					8,475,000

### Estimated expenditure impacts to:

Jurisdiction	FY 2006	FY 2007	2005-07	2007-09	2009-11
City					
County					
Special District					
TOTAL \$					
GRAND TOTAL \$					0

## Part III: Preparation and Approval

Fiscal Note Analyst: Linda Kercher	Phone: 360-725-5038	Date: 04/11/2005
Leg. Committee Contact:	Phone:	Date: 04/07/2005
Agency Approval: Louise Deng Davis	Phone: (360) 725-5034	Date: 04/12/2005
OFM Review: Tristan Wise	Phone: 360-902-0546	Date: 04/12/2005

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

This bill directs the Liquor Control Board (LCB) to implement strategies to improve retail operation efficiency and maximize revenue-generating opportunities.

Sec. 1 establishes the strategies that LCB is to implement. They include expanding store operations to Sunday sales in selected state-run stores, and optionally in vendor-operated stores, and implementing a plan of in-store merchandising for point-of-sale displays and for in-store liquor merchandising of brands.

Sec. 2 directs LCB to expand to Sunday hours in at least 20 stores, selecting the stores expected to gross the most revenues on Sunday. This section also authorizes the board to hire a consultant to assist in selecting stores and monitoring the program results. This section further directs LCB to monitor gross sales and expenses of the selected stores and the sales of state-run and contract liquor stores in proximity to the Sunday operating stores to measure the impact of Sunday openings.

Sec. 3 amends the statutory provision prohibiting LCB from advertising liquor. The section provides that in-store liquor merchandising is not advertising for the purposes of this section.

#### **DIFFERENCES BETWEEN ORIGINAL AND SUBSTITUTE:**

Sec. 1 of the substitute prohibits the sale of liquor on Sundays before 12 p.m.

### **B. SUMMARY OF EXPENDITURE IMPACTS**

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

No local government expenditure impact is expected as a result of this bill.

**DIFFERENCE IN IMPACT FROM ORIGINAL:** None

### **C. SUMMARY OF REVENUE IMPACTS**

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

Local governments are estimated to experience a revenue gain of \$756,000 in fiscal year 2006 (FY06) as a result of this bill. Cities are expected to gain \$591,000 in FY06, while counties are expected to gain approximately \$153,000, and border areas and special districts are expected to gain \$11,500. In FY07, the first full year after the bill takes effect, local governments are estimated to gain \$1.4 million.

**NOTE:** In the estimated revenue impact figures on page 1 (the cover page), distribution to border areas is reported as special district impact. See attached table for detailed local revenue estimates for FY05-FY11.

The revenue gain is due to expected increased sales resulting from Sunday openings and in-store merchandising. (See Liquor Control Board and Department of Revenue notes for detailed analysis of impact.) Local revenue impacts are due to increased liquor-sale profits and wine tax distributed to local governments from the Liquor Revolving Account, liquor sales tax distributed to locals through the Liquor Excise Tax Account, and additional retail sales tax.

#### **DISCUSSION:**

Revenue impacts were calculated by analyzing impacts to the Liquor Revolving Account (LRA) and the Liquor Excise Tax Account.

##### **Liquor Revolving Account (LRA) Impacts:**

Additional revenue from wine tax and liquor-sale profits are projected to positively impact receipts to the LRA.

As required by statute, excess funds generated by liquor sales (profits) in the LRA are first distributed to certain cities and counties along the U.S.-Canadian border, which get 0.3 percent of the net profit. The remaining profit is divided further, with 40 percent going to cities, 10 percent going to counties, and 50 percent going to the state general fund. (RCW 66.08.190)

##### **Liquor Excise Tax Account Impacts:**

Additional revenue from the liquor sales tax is projected to positively impact receipts to the Liquor Excise Tax Account. As required by statute, 35 percent of receipts collected from the basic retail and wholesale liquor sales tax rates under RCW 82.08.150(1) and (2) are distributed to the Liquor Excise Tax Account. The remaining 65 percent goes to the state general fund. Revenues in the Liquor Excise Tax Account are distributed 20 percent to counties and 80 percent to cities.



**Retail Sales Tax Impacts:**

The retail sales tax distribution for cities, counties, and special districts is based on DOR data for local sales and use tax distributions for CY 2004. This data shows that, of the total local distributions, cities received 35.1 percent, counties received 13.9 percent, and special districts received 51 percent. The retail sales tax impacts in this note reflect those same percentages.

**ASSUMPTIONS:**

See Liquor Control Board and DOR notes for assumptions.

See attached table “Local Revenue Distribution under SHB 1379” for detailed local revenue impact.

**SOURCES**

Department of Revenue

Liquor Control Board

**DIFFERENCES IN IMPACT FROM ORIGINAL:** None

## Local Revenue Distribution under SHB 1379

<b>Profit</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>
(Distributed from Liquor Revolving Account)						
Border Areas	2,943	5,944	6,322	6,557	6,798	7,047
Counties	97,822	197,529	210,105	217,910	225,935	234,186
Cities	391,288	790,117	840,421	871,640	903,740	936,745
<b>Liquor Sales Tax</b>						
(Distributed from Liquor Excise Tax Account)						
Counties	46,758	74,946	77,058	79,230	81,463	83,760
Cities	187,033	299,783	308,233	316,922	325,854	335,039
<b>Wine Tax</b>						
(Distributed from Liquor Revolving Account)						
Border Areas	81	139	143	147	151	156
Counties	2,689	4,615	4,745	4,879	5,016	5,157
Cities	10,755	18,458	18,979	19,514	20,064	20,630
<b>Retail Sales Tax</b>						
Counties	5,838	10,344	10,528	10,601	10,873	11,331
Cities	2,312	4,096	4,169	4,198	4,306	4,487
Special Districts	8,482	15,030	15,297	15,403	15,799	16,463
<b>Total Local Distributions</b>	<b>756,000</b>	<b>1,421,000</b>	<b>1,496,000</b>	<b>1,547,000</b>	<b>1,600,000</b>	<b>1,655,000</b>
<b>Counties</b>	<b>153,106</b>	<b>287,433</b>	<b>302,436</b>	<b>312,620</b>	<b>323,288</b>	<b>334,434</b>
<b>Cities</b>	<b>591,387</b>	<b>1,112,454</b>	<b>1,171,802</b>	<b>1,212,274</b>	<b>1,253,964</b>	<b>1,296,901</b>
<b>Border Areas*</b>	<b>3,025</b>	<b>6,083</b>	<b>6,465</b>	<b>6,704</b>	<b>6,950</b>	<b>7,202</b>
<b>Special Districts*</b>	<b>8,482</b>	<b>15,030</b>	<b>15,297</b>	<b>15,403</b>	<b>15,799</b>	<b>16,463</b>

Data Source: Department of Revenue

\*On the cover page, revenue impact for special districts includes both special district and border-area distributions